Longs posts sales increase, earnings slip in 52 weeks

WALNUT CREEK, Calif. — Longs Drug Stores announced a 1.4 percent increase in sales and a 7 percent decrease in net income for its 52-week fiscal year ended January 30, 1992, compared with the prior 53-week year.

Sales increased to $2.37 billion from the prior year's $2.33 billion, while sales for the 13-week fourth quarter decreased 4.8 percent to $648.5 million, as compared to $680.9 million reported for the 14-week period last year. Fourth-quarter net income decreased 9 percent.

William Combs, vp-administration and corporate relations, stated: "The depressed economy continues to affect consumer buying habits and, in turn, Longs' financial results. Even with the difficult economic environment, fourth quarter sales and net income would have increased over a year ago if both quarters were measured on a comparable 13-week basis."

Longs implemented POS scanning in selected stores starting in mid-1991, but the fourth quarter was the first full period of scanning for 44 of the chain's 266 stores. "The benefits in gross margins and labor costs stood out as improved over non-scanning stores," Combs told *Drug Store News*.

In 1991, Longs closed three underperforming stores and opened eight locations in California and Hawaii. According to Combs, three sites are currently under construction and Longs anticipates opening nine stores in California and Hawaii during fiscal year 1993. Although Longs operates stores in six states including Hawaii and Alaska, no new sites are currently planned for its Alaska, Arizona or Nevada markets.

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Vol. 14, No. 6 Mar. 16, 1992

MARKET DIARY:

Largest Dollar Gainer	Merck Co.	$ 7.88
Largest Dollar Loser	Novo-Nordisk	$ – 3.38
Largest Percentage Gainer	Bolar Pharmaceutical	21.11%
Largest Percentage Loser	Longs Drug Stores	– 8.12%

Advances	34
Declines	24
Unchanged	3
New highs	5
New lows	1

	Close 2/18/92	Close 3/3/92	Net Change	Percent Change
Drug Store News Index	4998.34	5089.46	91.12	1.82
Dow Jones Industrial Average	3224.73	3290.25	65.52	2.03
Standard & Poor's 500-Stock Index	407.38	412.85	5.47	1.34
N.Y.S.E. Composite	225.65	228.43	2.78	1.23
Value Line Index	263.56	265.59	2.03	0.77

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 2/18/92	Closing Price 3/3/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.75	4.50	– 0.25	– 5.26	—	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	23.75	22.25	– 1.50	– 6.32	24	0.12	0.54	25.25	15.50
OTC	Big B	BIGB	13.00	12.75	– 0.25	– 1.92	17	0.16	1.25	14.50	7.38
OTC	Drug Emporium	DEMP	7.75	8.25	0.50	6.45	—	0.12	1.45	9.63	5.50
NYS	Fay's Inc.	FAY	10.50	10.38	– 0.13	– 1.19	17	0.20	1.93	15.75	8.25
ASE	Genovese Drug	GDX.A	12.13	12.13	0.00	0.00	13	0.24	1.98	14.75	7.88
NYS	Longs Drug Stores	LDG	38.50	35.38	– 3.13	– 8.12	13	1.08	3.05	44.38	33.38
OTC	Medicine Shoppe	MSII	26.75	27.00	0.25	0.93	20	0.36	1.33	30.75	19.00
NYS	Perry Drug (H)	PDS	10.25	11.38	1.13	10.98	19	0.00	0.00	11.38	5.88
NYS	Rite Aid Corp.	RAD	21.63	21.00	– 0.63	– 2.89	15	0.52	2.48	23.88	17.25
NYS	Walgreen Co.	WAG	35.50	36.50	1.00	2.82	23	0.52	1.42	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	18.88	18.88	0.00	0.00	14	0.40	2.12	26.19	16.00
OTC	Bindley Western Ind.	BIND	20.50	19.25	– 1.25	– 6.10	14	0.04	0.21	20.75	13.50
OTC	Cardinal Distribution	CDIC	32.00	30.88	– 1.13	– 3.52	25	0.08	0.26	38.75	22.50
OTC	Durr-Fillauer	DUFM	22.00	22.00	0.00	0.00	15	0.28	1.27	34.75	17.50
NYS	McKesson Corp.	MCK	33.25	32.75	– 0.50	– 1.50	15	1.60	4.89	40.13	31.75
ASE	Moore Medical	MMD	5.50	6.00	0.50	9.09	32	0.00	0.00	9.25	3.00
NYS	Owens & Minor	OMI	20.00	18.88	– 1.13	– 5.63	21	0.20	1.06	24.25	11.50
Manufacturer's transactions											
NYS	Abbott Labs	ABT	63.13	62.75	– 0.38	– 0.59	25	1.20	1.91	69.75	45.13
NYS	American Home Products	AHP	73.88	78.63	4.75	6.43	18	2.60	3.31	86.25	55.25
ASE	Barr Laboratories	BRL	17.88	17.13	– 0.75	– 4.20	36	0.00	0.00	37.50	12.00
NYS	Baxter International	BAX	34.50	36.25	1.75	5.07	18	0.84	2.32	40.88	30.50
OTC	Block Drugs Co.	BLOCA	57.50	56.50	– 1.00	– 1.74	18	0.88	1.56	61.00	43.69
ASE	Bolar Pharmaceutical	BLR	11.25	13.63	2.38	21.11	—	0.00	0.00	14.50	3.00
NYS	Bristol-Myers Squibb	BMY	77.63	80.13	2.50	3.22	20	2.76	3.44	90.13	73.50
NYS	Carter-Wallace	CAR	108.00	109.88	1.88	1.74	37	1.00	0.91	137.50	58.75
ASE	Columbia Labs	COB	7.50	7.13	– 0.38	– 5.00	—	0.00	0.00	10.38	4.75
ASE	Del Laboratories	DLI	24.13	23.38	– 0.75	– 3.11	18	0.28	1.20	24.38	14.06
ASE	Forest Labs	FRX	35.38	36.25	0.88	2.47	34	0.00	0.00	43.63	28.63
ASE	Halsey Drug	HDG	8.31	7.88	– 0.44	– 5.27	32	0.00	0.00	9.75	3.31
NYS	ICN Pharmaceutical	ICN	17.75	19.00	1.25	7.04	—	0.00	0.00	25.38	4.50
ASE	Lee Pharmaceutical	LPH	1.38	1.63	0.25	18.18	—	0.00	0.00	2.25	0.75
ASE	Leiner P. Nutrition	PLI	14.50	14.63	0.13	0.86	17	0.00	0.00	14.63	10.25
NYS	Lilly Eli Co.	LLY	75.38	73.38	– 2.00	– 2.65	16	2.20	3.00	87.75	69.50
NYS	Marion Merrell Dow	MKC	33.50	35.38	1.88	5.60	17	0.92	2.60	39.25	27.25
NYS	Merck Co.	MRK	146.00	153.88	7.88	5.39	28	2.76	1.79	169.75	99.50
NYS	Mylan Labs	MYL	33.13	34.13	1.00	3.02	34	0.20	0.59	43.25	22.00
NYS	Novo-Nordisk	NVO	83.38	80.00	– 3.38	– 4.05	18	0.60	0.75	96.00	61.00
OTC	Nutramax Products	NMPC	11.25	11.88	0.63	5.56	33	0.00	0.00	12.13	2.38
NYS	Pfizer Inc.	PFE	70.25	74.88	4.63	6.58	28	1.48	1.98	87.00	50.00
NYS	Pharmaceutical Resources	PRX	6.63	6.50	– 0.13	– 1.89	—	0.00	0.00	8.00	2.63
NYS	Rhone-Poulenc Rorer	RPR	61.50	62.50	1.00	1.63	26	0.56	0.90	69.38	39.00
NYS	Schering Plough	SGP	56.63	59.50	2.88	5.08	20	1.32	2.22	68.00	47.13
NYS	Syntex Corp.	SYN	45.75	49.63	3.88	8.47	25	0.92	1.85	56.00	36.63
OTC	Taro-Vit Industries (H)	TAROF	11.50	11.00	– 0.50	– 4.35	92	0.00	0.00	11.75	3.25
OTC	Teva Pharmaceutical Ind.	TEVIY	23.63	26.38	2.75	11.64	27	0.20	0.76	26.50	11.75
NYS	Upjohn Co.	UPJ	41.13	41.25	0.13	0.30	14	1.36	3.30	49.25	37.63
NYS	Warner-Lambert (L)	WLA	68.25	65.13	– 3.13	– 4.58	62	2.04	3.13	82.25	64.13
OTC	Zenith Labs (H)	ZENL	20.00	23.00	3.00	15.00	62	0.00	0.00	24.25	6.50
Other retailer transactions											
NYS	Albertson's	ABS	41.88	43.50	1.63	3.88	23	0.56	1.29	51.38	32.75
NYS	American Stores	ASC	35.88	36.13	0.25	0.70	9	0.68	1.88	46.19	26.00
NYS	Giant Food	GFS.A	24.25	25.00	0.75	3.09	14	0.64	2.56	31.25	20.63
NYS	Great Atlantic&Pacific Tea	GAP	32.13	32.00	– 0.13	– 0.39	14	0.80	2.50	57.75	25.00
NYS	Kmart (H)	KM	50.63	51.88	1.25	2.47	13	1.76	3.39	53.50	36.88
NYS	Kroger	KR	17.75	18.00	0.25	1.41	16	0.00	0.00	24.50	15.38
NYS	Melville Corp.	MES	49.38	51.88	2.50	5.06	16	1.48	2.85	55.25	38.25
OTC	Fred Meyer	MEYR	27.75	27.00	– 0.75	– 2.70	16	0.00	0.00	28.75	15.00
NYS	Penney, JC (H)	JCP	59.13	61.25	2.13	3.59	15	2.64	4.31	65.88	47.13
NYS	Safeway	SWY	17.38	18.88	1.50	8.63	29	0.00	0.00	21.63	15.00
NYS	Smith's Food & Drug	SFD	41.75	40.50	– 1.25	– 2.99	25	0.44	1.09	43.75	30.25
NYS	Wal-Mart	WMT	51.38	53.25	1.88	3.65	38	0.16	0.30	59.88	35.63

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

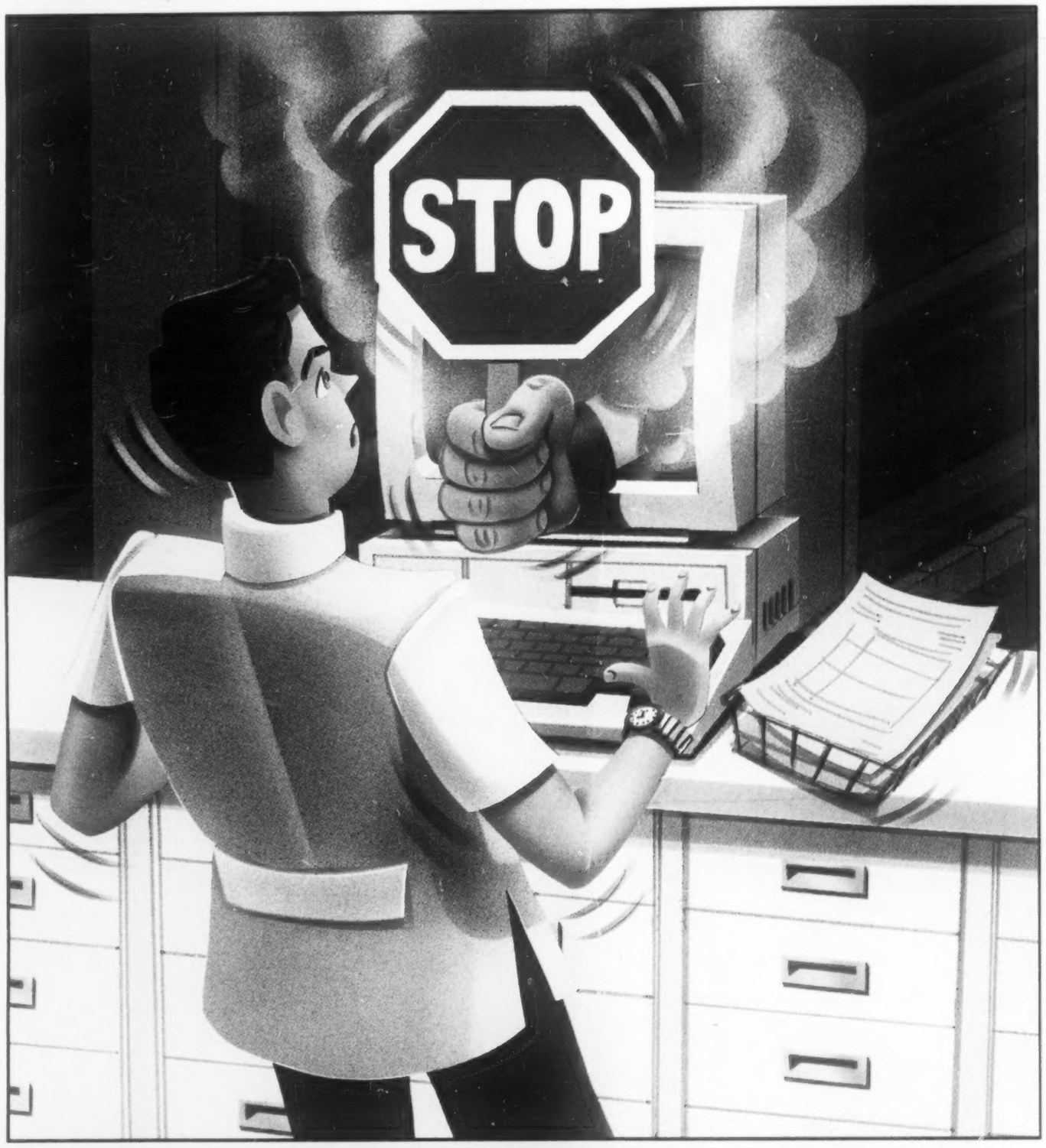
DRUG STORE NEWS®

VOL. 2/NO. 3 | The Journal of Retail Pharmacy | MARCH 16, 1992

NEWS FOCUS

• At a town hall meeting of pharmacy deans and faculty at Amelia Island, Fla., this month, AACP's Commission to Implement Change in Pharmaceutical Education defended its recommendation for a new single, entry-level Pharm.D. degree. Meeting organizers and attendees were steeled for a battle, but the expected fireworks never materialized. Instead, proponents and opponents of the six-year doctorate presented gentlemanly concern over resource issues, student-faculty ratios, implementation dates, lack of significant practitioner input, and state accreditation problems. Some AACP members, citing "vagueness" and "leaps of faith," showed clearly the lack of consensus on the association's latest Position Paper 3. Even while resolving to demonstrate they "are in control of pharmaceutical education and will reject those who won't be partners," AACP plans to take the input from this meeting, plus any written comments received, and hold open hearings at the annual meeting in July before voting on the paper.

• Congress is already talking up new safety and efficacy requirements for OTC drugs in the wake of a controversial General Accounting Office study. According to GAO, FDA has too little information about the safety of non-prescription medicines already on the market, and too little authority over these products. For their part, proprietary drug manufacturers are outraged at the GAO findings — and fearful that the controversy might cause FDAers to move slower on Rx-to-OTC switches.



Third party future shock: pharmacy's DUR dilemma

Ready or not, federally-mandated Drug Utilization Review is on the way! Proponents say DUR will offer a Brave New World, but critics warn it may create an Orwellian nightmare. Either way, it stacks up as a high-stakes gamble packed with pocketbook implications for third-party programs, patients, taxpayers and pharmacists. Page 21.

Rx delivery boosts service 38

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for the PHARMACIST

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Cover: Welcome to the DUR Dilemma

Is Drug Utilization Review a lower cost option which offers more rational drug therapy or an Orwellian system dependent on computer decisions? The system may be a bit of both, and it's on its way.
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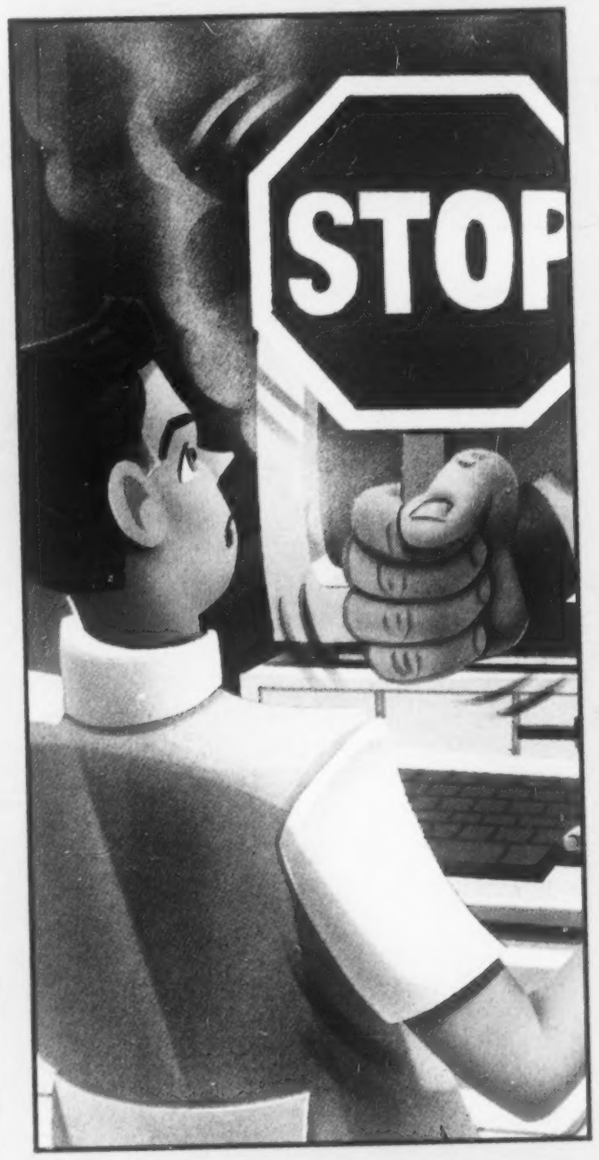

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First Aid: Variety gives drug stores the edge

First aid is no longer a cotton ball and gauze business. Customers respond to a wide assortment, and drug stores are the outlets which can provide the goods.
Page 33

The analgesic segment game

Analgesic manufacturers are targeting their products to specific customer needs. That trend, and new product introductions, are contributing to growth in the category.
Page 34

The delivery man is back

Independents don't have the delivery market cornered anymore. Drug and supermarket chains are beginning to see the merit of service that extends to the customer's doorstep.
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Variety, mix gives drug stores edge in first aid

What is the key to a successful first aid section in drugs stores? The answer: breadth of mix.

As drug stores, supermarkets and mass merchandisers battle for market share, only drug stores typically offer the diversity of products and the in-store consultation needed by consumers facing a sometimes baffling array of first aid items. It can give drug stores the edge.

"The breadth of the mix is important," said Joe Potts, buyer for the first aid category at Pay Less. "Drugs stores need to have as many options for consumers as possible."

Pay Less carries about 350 SKUs of first aid items, including ointments, dressings and bandages and antiseptics.

Indeed, in the dressing and bandages segment, Pay Less carries nearly 190 SKUs, the lion's share of the first aid category. No longer confined to cotton balls and gauze, wound care products include a wide assortment of interactive dressings, posing a challenge for store space and the time a pharmacist has for professional consultation.

Sales up 6 percent

At the retail level, the first aid category rang up $362.2 million in drug stores in 1991, up 6 percent over the year-earlier period, according to Towne-Oller & Associates. The top-selling items were the antiseptics, which commanded 43.3 percent of the category, up 3 percent from 1990.

Amid the growth in wound care products, the titan of the first aid industry, Johnson & Johnson, is making a major push, betting that an aging population and ever shorter hospital stays will lead to a growing need for post-operative at-home care.

"Johnson and Johnson sees home health care as a very important market," said Jeff Lebow, a J&J spokesman. "The need is attributable to an aging population and shorter hospital stays," he said.

The company is currently marketing about 46 SKUs of consumer home health care products, ranging from Nu Gauze packing strips to Kling sterile conforming bandages and Surgipad dressings. The company is also providing videotapes to help explain the category to consumers as well as continuing education programs for pharmacists.

Despite the need for wound care dressings at the drug store level, it is still a relatively new phenomenon and consumers are baffled by the array of products from J&J and Kendall-Futuro, the two big manufacturers in the category, according to chain buyers as well as independent retailers.

Education needed

"Consumers need to be more educated about wound dressings," said a buyer from K&B drug stores, who asked not to be identified. "The dressings do OK, and we think it could be a growth segment with consumer education."

"Consumers are definitely confused," said pharmacist Mitch Miller, co-owner of Belmont Drug in West Babylon, N.Y.

Another independent, Gary Reynolds of Valu-Rite Pharmacy in Macleansborough, Ill., agreed. Reynolds said wound care items are "labor intensive" for store staff and confusing to consumers. He is installing a videotape from J&J in the hopes of clarifying the category for consumers. One way to solve the confusion, retailers say, is through professional consultation.

"The amount of knowledge you have to have now is increasing," said Miller. "People used to come from out-patient surgery with prescriptions for wound dressing I had never seen before. It caused me to go out and learn more about it."

Unlike other retailers who have had to pare down the number of wound dressing items, Miller said that in his store he had to expand the section to accommodate all of the patients getting out of the hospital early.

"We are seeing a lot of same-day surgery patients, and more and more elderly people are coming with oozing wounds," said Miller. "You have to have a diversified stock to treat these wounds and you have to know how to apply the dressing."

Some retailers have not had as much luck with wound care products. At Birmingham, Ala.-based Harco Drug, buyer Charles Monk said wound care items have been moving slowly, and promotional videotapes from J&J and advertising have not helped that much.

"There was not as big of a demand as we thought," said Monk. "We thought that because of the aging population, self care would be big. But with a lot of these items, it takes time to educate the consumer. They are used to getting dressings at the hospital."

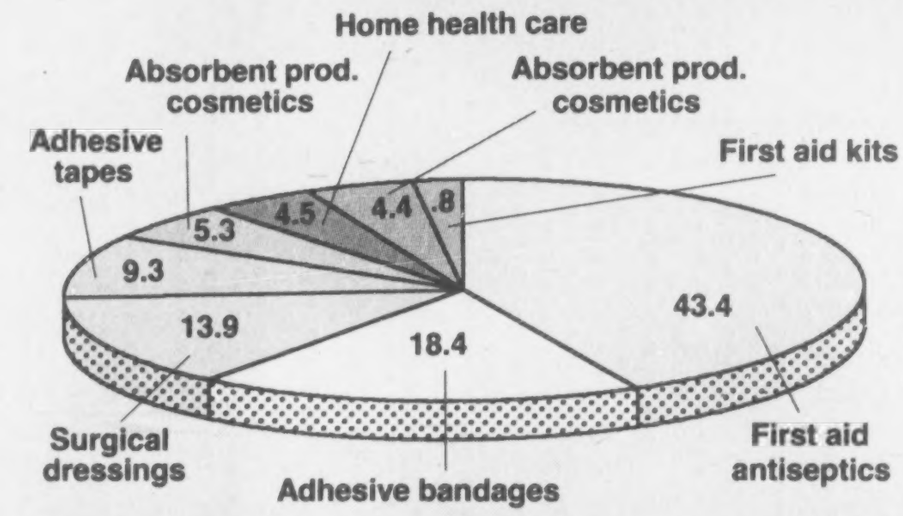
Kids' adhesive bandages

One segment in the first aid category where little education is needed, retailers agree, is children's adhesive bandages. The smaller-sized bandages, although more expensive, have found a following among a number of retailers, who report that the number of licensed characters, from GI Joe to the Muppets and Mickey Mouse, has mushroomed.

"Kids like the characters," said Miller of Belmont Drug, which carried six SKUs of children's adhesive bandages. He said that children are more likely to wear the bandages if they recognize the characters.

Kendall-Futuro is hoping to build on the success of its line of children's adhesive bandages, which feature the McDonald's characters, with a new line of neon adhesive bandages aimed at teens. It is backing its neon bandages with a full-scale promotional program to consumers and the trade. ■

Drug store share of first aid sales
(12 months through December 1991)



Total 1991 drug store analgesics sales: $1,010.6 million.

Source: Towne-Oller & Associates-Drug Store Audit.

Drug store top-moving first aid antiseptic products
(12 months through December 1991)

Fungi-Nail Tinacture 1 oz.
Neosporin ointment .5 oz.
Neosporin ointment max. strength .5 oz.
Blue Star ointment 2 oz.
Neosporin ointment 1 oz.
Neosporin cream .5 oz.
Betadine solution 8 oz.
Benadryl max. strength cream 2% .5 oz.
Campho-Phenique gel .23 oz.
Lanacaine cream 1 oz.

Source: Towne-Oller & Associates-Drug Store Audit

Segmentation in analgesics spurs growth

Segmentation is quickly becoming the key to the analgesic market. Manufacturers, convinced that consumers are no longer content with one multipurpose analgesic, are repositioning existing products to appeal to specific market segments and slanting new products to fill specific niches.

"Companies are chopping up the market as they identify the customers they're going after," said Harold Milliken, executive director of U.S. marketing for Upjohn's Consumer Products Division. "It's not efficient for all of us to chase after the same customer. Nuprin, for example, gave up the headache segment to concentrate on sports injuries and they've done well."

Milliken said that Upjohn's Motrin IB product has its own niche as a prescription-to-OTC switch—a niche that he says has contributed to its 54-percent growth last year.

"Our research shows that consumers use aspirin, acetaminophen and ibuprofen for different things. It's rare for them to have only one analgesic in the home," he said.

That may be one reason that in the first 10 months of 1991, total sales of internal analgesics reached $2.2 billion, according to Nielsen Marketing Research—a jump of 7.3 percent over the same time period in the previous year.

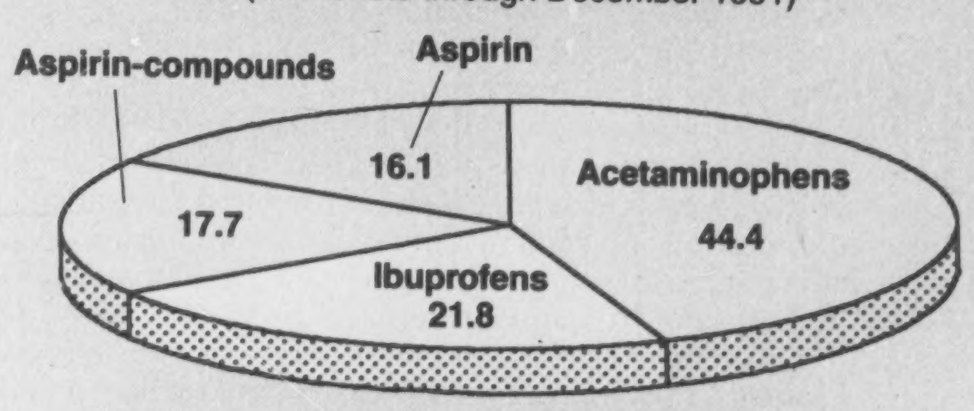
Other manufacturers are jumping on the segmentation bandwagon. Whitehall followed a similar strategy of repositioning its Anacin-3, which was renamed Aspirin Free Anacin in October. Bayer's Bayer Plus, a stomach guard formulation, and Therapy Bayer, designed for continual use rather than quick pain relief, are two other examples.

Kramer Laboratories has also created a niche with its Halfprin, a product targeted specifically to patients who wish to use aspirin to reduce their risk of myocardial infarction. The product, in the 165 mg. strength recommended for that indication, is enterically coated to minimize gastric irritation. The newest segment of products are the so-called PM formulations that combine a pain reliever with a sleep aid. Excedrin, Tylenol and Bufferin have introduced PM products, and Midol is planning one for launch soon. Analgesic buyers say that the products are showing strong growth.

"We were one of the original test markets for Excedrin PM," said Jim Culpepper, buyer at Pay Less Drug Stores. "At first, we merchandised them with sleep aids and they didn't do well there. Once we moved them to our analgesic area, they took off and continue to do very well."

Drug store share of analgesic sales

(12 months through December 1991)



Total 1991 drug store first aid sales: $362.2.

Towne-Oller & Associates-Drug Store Audit

The PMs have also had swift sales at Bill's Drugs, Perry and Kerr. Bill's buyer Liz Spera credits the products with sparking growth in her analgesic department.

"They are creating a new niche," said Paige Donnald, buyer at Kerr. "I don't see them cannibalizing other analgesics or the sleep aids."

Buyers also like the products because, since they are recent introductions, their pricing is not as competitive as pricing on established products. "You have to make your margin somewhere," said Mildred Walker, buyer at Richmond-based Standard Drug Co.

Advertising fuels sales

The advertising that's being poured into the new products also helps fuel sales. "When vendors stop advertising, the numbers slide," said Charles Monk, buyer at Tuscaloosa, Ala.-based Harco Drugs. "When we add items, we need the support from that advertising."

He said he times his category advertising to correspond with manufacturer campaigns. Harco, he said, promotes the category heavily, using shelf talkers and advertising in FSIs twice monthly.

Established products that have strong consumer advertising presence and high consumer acceptance levels continue to move well.

Motrin IB is the hottest ibuprofen at Harco. Advil and Motrin IB have strong sellthroughs at Bill's, where Spera says ibuprofen products have the strongest sales. Her strongest ibuprofen sales, however, are coming from private label. The chain stocks one size of both private label regular and extra-strength products in tablets and caplets.

Acetaminophen sales, she said, are dominated by Tylenol. Those leads, she said, also are dependent on how much advertising the vendor does.

While chain drug stores may be doing more business in ibuprofens, acetaminophen sales are dominant at independents.

"Ten to one over anything else, our biggest seller is Tylenol," said Bruce Greenwald, owner of Regal Pharmacy in the Bronx. "Ibuprofens are selling, but the sales do not equal Tylenol." He stocks several SKUs of Tylenol in gel caps and caplets.

Orlando Pharmacy owner John Davis says when it comes to ibuprofen, Motrin has the highest brand loyalty. "[It] carries some weight, but customers are willing to switch to lower priced items when they are on sale." He estimates that 20 to 30 percent of purchases are based on brand loyalty at his store.

Although sales of ibuprofen and acetaminophen often overtake aspirin, sales of the old standby are not diminishing.

"Aspirin is still getting a lot of press so sales flip-flop over time," said Monk. Greenwald said that recent studies indicating aspirin as the best treatment for arthritis has increased sales at his independent. ■

Drug store top-moving analgesic products

(12 months through December 1991)

Tylenol Extra Strength Gelcaps 50
Tylenol Extra Strength Caplets 100
Tylenol Extra Strength Caplets 50
Advil Tablets 50
Tylenol Extra Strength Gelcaps 100
Advil Tablets 100
Tylenol Extra Strength Caplets 175
Tylenol Extra Strength Gelcaps 150
Tylenol Extra Strength Tablets 100
Advil Tablets 24
Tylenol Extra Strength Caplets 24
Tylenol Extra Strength Tablets 60
Tylenol Drop .5
Tylenol Extra Strength Tablets 30
Tylenol Extra Strength Gelcaps 24
Advil Tablets 250
Tylenol Extra Strength Tablets 200
Tylenol Elixir 4
Bayer Aspirin 100
Ecotrin Tablets 100
Advil Caplets 100
Advil Caplets 50
Advil Caplets 24
Anacin Tablets 100
Excedrin Extra Strength Tablets 100

Source: Towne-Oller & Associates-Drug Store Audit.

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The newspaper of drug store retailing

April 6,1992

DRUG STORE NEWS

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Sells: 'Reinvented' Revco ready for battle

TWINSBURG, Ohio — Like the mythical phoenix reborn in the fires of its own destruction, Revco D.S. will emerge from its financial hell a far stronger company. Indeed, Revco today bears little resemblance to the teetering, overextended retail giant that collapsed into bankruptcy nearly four years ago.

"We have taken advantage of this time in bankruptcy protection to reinvent our company for the decades ahead," said chairman and ceo Boake Sells. "The last four years have been useful in that we have created a highly efficient machine for a very competitive industry."

Once it clears Chapter 11, Revco's first order of business will be the creation of a new board of directors, Sells told *Drug Store News*. The board will consist of Sells, cfo Greg Raven, David Schulte and Sam Zell of Zell/Chilmark Partners, and seven other directors chosen by Revco's trade and noteholder creditors. Revco will also begin staffing up in a few key merchandising and support positions at headquarters.

"We have some jobs we'll have to hire for right away," said Sells.

One thing that is not likely to change is Revco's store count or current, nine-state market reach. "Strategically, if you wanted to close stores, you wouldn't wait until you

See **Revco** *page 45*

LATE NEWS

• PONTIAC, Mich. — Perry Drug Stores has filed with the SEC to sell another 2.75 million shares of common stock, boosting outstanding shares to about 13 million. Proceeds from the sale will go to pay down the company's debt. Chairman and ceo Jack Robinson will also sell 500,000 shares from his own holdings.

• TWINSBURG, Ohio — Revco D.S. has promoted Ken Rogers to the post of Southern regional director of operations, based in Charlotte, N.C. Rogers, 42, joined Revco in 1989 as a district manager. The Kroger Co. veteran will direct operations of 10 Revco districts comprising 200 stores in eastern North and South Carolina.

FEATURES

Price/value lights up tobacco market

The rapid growth of low-price and value-oriented cigarettes belies the steady decline in overall tobacco sales. **Page 37.**

FDA confusion caps whiteners

Teeth whiteners have been stellar but smiles have been temporarily dulled by FDA confusion about product status. **Page 9.**

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SECOND CLASS

Rite Aid grows 'bantam,' sharpens its price talons

Prototype uses cut cases, shelf talker promotions and a new $1 section to highlight value.

By Barbara White

SHIREMANSTOWN, Pa. — Rite Aid has put price and value into sharper focus in its new expanded prototype store.

The format is a departure for Rite Aid. The New Cumberland, Penn. store, which is located about 10 miles from corporate headquarters and serves as the chain's prototype, spans nearly 8,000 square-feet and includes over 6,900 square feet of selling space.

But the news here isn't just more space and wider aisles. Rite Aid is adding more promotional food and HBA items to its mix and is displaying those featured buys in cut case fashion. It's a strategy that's designed to give the chain a sharp price image.

All new openings and redesigns will follow the format. Here are some highlights as to how Rite Aid will look in the '90s:

• Cherry red and a vibrant blue are used on signage and aisle stripes. New recessed lighting that runs across the store has replaced fluorescent front-to-back lighting. The new lighting is softer and more flattering to merchandise. Cherry-red aisle markers run the width of the store, adding some color to the aisles and creating a uniform look.

• Outside aisles are widened to 5 feet, while the center promotional aisles run 7 feet across. The

See **Rite Aid** *page 45*

The prototype's $1 section will be rolled out to 1,600 stores this year. The new Rite Aid format stresses price and value.

Drug Emporium gets nods on sweeping restructure

By James Frederick

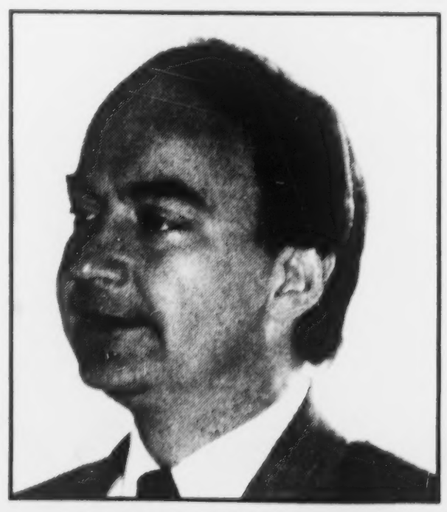
COLUMBUS, Ohio — Store managers, vendors and Wall Street are generally giving a thumbs-up to sweeping changes now underway at Drug Emporium aimed at centralizing its buying, marketing and accounting efforts to boost earnings.

Drug Emporium announced the changes in a series of meetings with its employees and board of directors, its suppliers and a number of retail stock analysts over the past two months. Hand in hand with the shift in management responsibilities will be a determined push to upgrade information gathering capabilities through POS and other retail technology.

In line with the restructuring, the deep discounter has made several key management changes in recent months. Steven Pohlit, a veteran of Arthur Andersen & Co., has been brought in as chief financial officer. Former regional vp Terry Ruh has

See **Drug Emporium** *page 45*

Phil Wilber



Gary Wilber

Coulombe and Rocheleau take key spots at Thrifty

By Allene Symons

LOS ANGELES — In a surprise move to beef up top management for Thrifty Corp.'s turnaround, parent Pacific Enterprises has named entrepreneur Joseph H. Coulombe as Thrifty Corp. executive vp-retailing.

The appointment creates a new team, with Thrifty Drug ceo and president William Yingling reporting to Coulombe, and also shifts Yingling's title from chairman of Thrifty Corp. to co-chair.

At the same time, Thrifty Drug Stores named Gary Rocheleau, its senior vp-merchandising and marketing, to assume the duties of former vp-buying, Robert LaFerriere. LaFerriere recently resigned the position to join Florida-

See **Thrifty** *page 45*

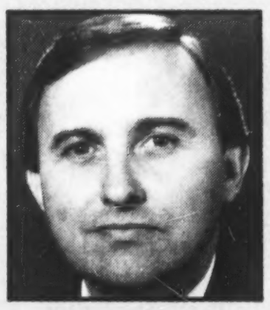
NEWS IN BRIEF

American names Lund co-ceo

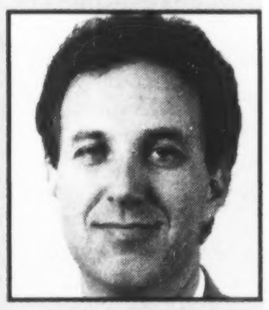
SALT LAKE CITY — In line with its "planned senior management succession," American Stores has named cfo Victor Lund to serve alongside president and ceo J.L. Scott as co-ceo.

Lund, 44, will eventually replace the 62-year-old Scott, who will retire after a "transition period."

F&M promotes Weissert, Keller



Weissert



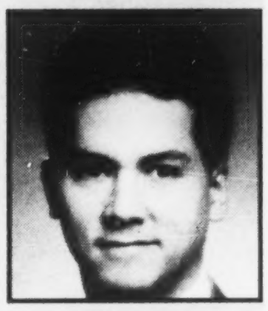
Keller

WARREN, Mich. — F&M Distributors has promoted Earl Weissert to executive vp, in charge of store operations, traffic and distribution, and pharmacy. The six-year company veteran was last senior vp-merchandising for the 112-store off-price drug chain.

Replacing Weissert as senior vp-merchandising is Matthew Keller, a veteran of PACE Membership Warehouse. Keller, who last served as vp-merchandising for F&M, will head up all merchandising division operations.

The appointments beef up senior management under F&M president and ceo Frank Newman, in the wake of the chain's expansion as a nine-state, $800 million operation.

Arbor names new GM director



Nakamura

TROY, Mich. — Senior buyer-sundries Michael Nakamura has been promoted to director-general merchandise purchasing for Arbor Drugs.

Nakamura, a six-year veteran of Arbor's purchasing department, will report to vp-purchasing Dennis Wozniak. His new responsibilities will include developing the buying plan for seasonal and promotional merchandise for the chain's 121 drug stores, overseeing general merchandise purchasing and managing direct imports.

Med Shoppe wins performance award

ST. LOUIS — Medicine Shoppe International, Inc., a network of over 900 franchised pharmacies, was named as a recipient of a 1992 High Performance Retailer Award by the Management Horizons Division of Price Waterhouse and *Chain Store Age Executive*. The awards are given to companies that consistently demonstrate an ability to outperform the marketplace.

Cotton heads new Durr Drug

MONTGOMERY, Ala. — Durr-Fillauer Medical, Inc. has renamed its wholesale drug division Durr Drug Company, Inc. M.W. Cotton, who has been with Durr-Fillauer for 40 years, is the president of the newly-formed subsidiary.

The company has also formed a subsidiary of its former medical-surgical division, Durr Medical Corp., which will be headed by president Cullen F. Smith.

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Fay's '92: core categories, market penetration will rule

LIVERPOOL, N.Y. — A $630,000 settlement of a lawsuit by the State of New York, in conjunction with the New York State Employees Prescription Program, cut into Fay's Inc. fourth quarter and year-end earnings. *(See related story, page 6.)*

Despite the one-time charge, Fay's chairman Henry A. Panasci, Jr. cited gains in core merchandise categories that helped generate earnings otherwise comparable to the prior year.

The chain reported net earnings for the year ended Jan. 25 at $8.7 million compared with $11.1 million a year earlier. Revenues for the year rose 24.3 percent to a record $836.2 million, reflecting the acquisition of Carls Drug Co., Inc., compared with $672.6 million a year earlier. Comparable store sales were up 5 percent.

In the fourth quarter, net earnings fell to $4.5 million because of the lawsuit settlement compared with $5.0 million in the same year-earlier period. Revenues for the fourth quarter rose 25.3 percent to a record $239 million from $190.7 million in the year-earlier quarter. Comparable store sales increased 4.4 percent.

During the past year, Fay's purchased Carls, and it is currently operating 43 of that chain's locations as Fay's Drug Stores.

Panasci said that with the costs of the purchase behind the chain, Fay's is now poised to reap the full benefits of market penetration provided by the acquisition.

Fred's steps up with stock offer, eyes possible 80-pharmacy addition

MEMPHIS — The aggressive addition of as many as 80 new pharmacies is planned by Fred's, Inc., a discount general merchandise chain, to help the company fuel its financial turnaround and boost profits.

At the same time, the 144-store retailer undertook an initial public offering on March 19, in which it sold 3.3 million common shares to the public at $14.50, and then saw the price rise to $16.50 the following week.

Atlanta-based Robinson-Humphrey Company, Inc. and Memphis-based Morgan Keegan & Company, Inc., were lead underwriters on the issue.

Fred's has already enjoyed an increasing degree of success with its 45 existing pharmacy operations. Pharmacy sales increased from 7.2 percent of store sales in 1988 to 12.1 percent in 1991. Another 15 pharmacies are slated to open in 1992, and in the succeeding three years, between 45 and 65 new pharmacies will be opened, reported company officials in the IPO prospectus.

It's no wonder Fred's officials are bullish on pharmacy. Drug sales help account for an even larger part of overall sales at the chain's larger, full-line stores, those with both pharmacy and apparel departments. Fred's operates 38 full-line stores and pharmacy accounts for 26.4 percent of total store sales in this format.

Of the existing 99 Fred's stores without pharmacies, roughly half have the potential for pharmacies to be added. In most of the cases, company officials intend to acquire existing independent pharmacies or acquire customer lists from retiring pharmacists so that profits can be realized sooner.

The chain plans to add 10 new stores in 1992 and another 40 to 60 in the succeeding three years. Approximately 80 percent of the new stores will have pharmacies, the prospectus said.

Fred's was founded in 1947 and operates in eight southeastern states, with most of its stores concentrated in markets of fewer than 15,000 people in Mississippi, Arkansas and Tennessee. Fred's generated $291 million in sales in the fiscal year ended Feb. 1, 1992.

The chain is one of 116 IPOs that have been sold so far this year. Barring a downturn in the market, 1992 is expected to exceed 1991's record-setting dollar volume level. More than 300 issues totaling $25.5 billion were sold in 1991, according to Standard & Poor's Corp.

Bergen Brunswig's Emil Martini, Jr. dies

ORANGE, Calif. — Emil P. Martini, Jr., chairman of the board of Bergen Brunswig Corp., died at his home in Carson City, Nev. on March 16 after a long illness.

Martini, who was 63, retired as ceo of Bergen Brunswig in August 1990. He began his career in wholesale distribution in 1952 as buyer in training with New Jersey-based Bergen Drug Co., a regional pharmaceutical distributor founded by his father. After his father's death, he was elected president of the firm in 1956. At that time the company's sales were $10 million.

Martini

In 1969 Martini negotiated the acquisition of Brunswig Drug Co. of Los Angeles and began developing the company into a national distributor of pharmaceuticals and other health care products. For the fiscal year ended August 31, 1991, Bergen Brunswig's sales were $4.8 billion.

He was instrumental in the development of one of the industry's first computerized inventory management, accounting and automated order entry systems. In recent years, he promoted development of electronic data interchange and expanded the company's system of automated regional distribution centers.

Born August 9, 1928 in Teaneck, N.J., Martini received his B.S. degree from the Purdue University School of Pharmacy in 1950, and then registered as a pharmacist in New Jersey.

In 1990 he was co-recipient (with Anthony A. Vallario) of the Information Management Partners in Leadership Award. Martini was named co-recipient, with his brother Robert E. Martini, of the 1987 National Wholesale Druggists' Association Timothy Patrick Barry Award. Robert E. Martini succeeded his brother as ceo of Bergen Brunswig in August 1990.

Charles Trefrey, president and ceo of the National Wholesale Druggists Association, said: "Our industry has lost an inspired and inspirational leader. I have lost a longtime friend whose support I have felt over the years. We are, however, all thankful that there is so much of Emil in Bob, plus his own wonderful characteristics."